



**MINUTES
CITY COUNCIL WORK SESSION
July 12, 2021**

CALL TO ORDER

The meeting was called to order at 5:30 pm.

Present: Mayor: Charlie Miner; Council: Jahn Dyvik, Mike Feldmann, Gina Joyce, and Deirdre Kvale

Staff Present: City Administrator: Scott Weske; Public Works Director: Sean Diercks; City Attorney: John Thames; and Acting City Engineer: Shelly Hanson

Absent: None

APPROVE AGENDA

A motion was made by Dyvik, seconded by Feldmann, to approve the agenda as presented. Ayes: all.

OPEN CORRESPONDENCE

No one was in attendance to address the City Council during Open Correspondence.

BUSINESS ITEMS

Discuss 2021 Sanitary Sewer Rehabilitation Project and Schedule Next Discussion on 2022-2023 Street Improvement Project

Acting City Engineer Shelly Hanson introduced herself and stated that she was filling in for City Engineer Alex Mollenkamp while she is out on maternity leave. City Engineer Mollenkamp will be back in August. She recalled that this information was originally presented to the Council on April 6, 2021. Since that meeting, the City received notification that they have received a Metropolitan Council Environmental Services grant for a sanitary sewer rehabilitation project. The grant amount awarded is \$57,253, with the possibility that if there are additional grant monies available when the project is completed, the City could be eligible for reimbursement of up to \$82,000. She added that it still looks like there may be approximately \$180,000 to \$190,000 available to the City designated from American Rescue Plan funds which can be used on water or sewer improvements.

Council member Dyvik inquired whether the City had made any other plans for the American Rescue Plan funds.

Weske responded that the restrictions for use of the American Rescue Plan funds are more infrastructure based than they were for the initial COVID-19 relief funds.

Hanson reviewed how the City determined where a proposed sanitary sewer rehabilitation project was needed. She explained that the proposed improvements include: cured in place liners; chemical grout joint seal; and repair of offset joints and holes, with very little disruption to users. She reviewed a map of the project location area and explained why it is important to proceed with a lining project to prevent inflow and infiltration (I&I). She answered Council questions about the information related to I&I and Metropolitan Council fees incurred from 2018 to 2020. She reviewed the estimated cost of the project at \$380,000 and the expected funding. She gave an overview of

the potential breakdown of funding sources and reiterated that the City has received a grant from the Metropolitan Council in an amount of \$57,253, is expected to receive \$180,000 in American Rescue Plan funds, and would need to budget about \$150,000 from City funds. She pointed out that there are currently not adequate funds in the Sanitary Sewer Fund to cover project costs and staff has discussed the possibility of using an interfund loan from the Water Fund. She stated that if the City decides to do this, there needs to be the understanding that any savings that are derived from doing this will be used to pay back the Water Fund. She would also recommend that if the City gets any additional funds from the Metropolitan Council grant or through the American Rescue Plan that those funds be used to lower the City's portion of the project cost.

Council member Dyvik indicated that he was under the impression that the City's Water Fund was also not flush and was an area of concern.

Weske responded he is hopeful that in 2021 with the new developments coming in, the City should be receiving WAC/SAC fees. He stated that there may be an opportunity to use those funds rather than having to do an interfund loan.

Council member Kvale asked if there could be significant funds through franchise fees.

Hanson clarified that franchise fees are to be used for street reconstruction and noted that the City did not set franchise fees up to use for sanitary sewer, watermain, or stormwater projects. She noted that if the stormwater is part of the pavement section, then it could be used for things like that.

Weske reiterated that he is hopeful that there may be some creative way to obtain the funds because he would prefer to stay away from an interfund loan if possible. He noted that the Metropolitan Council grant is reimbursable at the end of the project once the City has shown them what they spent.

Hanson provided a brief rundown of how the liner is installed and explained that they will work manhole to manhole in sections. She indicated that the idea is to get the project out for a bid process in late fall, because that will be a more favorable bidding climate, and would permit the work to begin as soon as possible in late winter or early spring of 2022. She stated that there are a few repair areas where the roadway will need to be ripped up, but most of the work would be done through the manholes.

Council member Joyce asked how long this project would take to complete.

Public Works Director Diercks expected the project will take few months.

Hanson added that the next step for this project is for approval from the Council to approve the funding sources, to give authorization for the project to proceed, and to direct WSB to prepare the plans and specifications.

Council member Dyvik questioned if there was a breakdown for what the total project cost of \$380,000 entailed.

Hanson replied that there is an engineer's estimate, but she did not bring that information tonight.

Council member Feldmann asked what kind of savings in the I&I fees that the City pays to Metropolitan Council may be anticipated once this project is completed.

Hanson clarified that a lot of it will depend on what happens with rainfall during the next few years and explained how infiltration is affected by drought or rainfall.

Mayor Miner suggested moving onto to discuss the Street Improvement Project.

Hanson reported that there are not enough funds in the Sanitary Sewer or the Water Fund to do the street project in 2022 at this time, and there needs to be discussion about how the project can be funded. She stated that it may be possible to complete the design work in 2022 and bid the project for spring construction in 2023. This approach would allow the franchise fees to grow a bit and will also build up the utility funds a bit.

Council member Dyvik commented that he felt it would be unfortunate if being short about \$200,000 in utility funds held up the Grand Avenue reconstruction project. He noted that it feels like the City just keeps delaying the project year after year and he was hoping something would finally be done in 2022.

The Council discussed the breakdown of the expected franchise fees and bonding for this project.

Council member Dyvik observed that there should be ways to fund this project, and if the City just keeps waiting until the Sewer Fund has adequate funds for it, it could take longer than 2023.

Weske agreed and recognized that the City is currently losing \$200,000/year in the Sewer Fund.

Council member Dyvik mentioned that he understands the City has been saving for a rainy day, but he thinks it is clear that it is raining now. He stated that he would not be opposed to using part of the rainy day money to pay for the street project and then bonding for the rest.

Hanson suggested that the City could order a feasibility study which will put together all the funding details.

Weske added that completing the feasibility study will also help the City determine the assessments. His position is that before the street project is ordered, the Council needs certainty that they really have a full understanding of the finances.

Council member Dyvik asked how much it will cost to complete a feasibility study.

Hanson replied that it will be somewhere between \$10,000 and \$20,000.

Weske indicated that prior to ordering the feasibility study, the Council needs to come to an understanding of what they are willing to do on the tax levy as well as utility rates. He pointed out that there are other upcoming projects that will cost money too and Council will need to take that into consideration as well. He stated that he thinks staff can pull together some information and see what can work with cash on hand and work with Abdo, Eick & Meyers to consider restricted funds, the TIF funds, and whatever other dollars may be available in other funds that could jumpstart a project. The City will really have to pay attention to the next year's levy amounts and utility rates, as well as the Master Utility Agreement.

City Attorney Thames clarified that ordering a feasibility report is a required step in the statutory process for a street improvement project with special assessments.

Council member Dyvik stated that he would like to see a summary of all the funds on a single table.

Weske indicated that he would put together information on the funds that can actually be utilized.

Council member Feldmann requested Weske also put together a summary of the City's debt.

Council member Kvale asked Diercks if the City would save money from all the watermain breaks with this project.

Diercks confirmed that the City will absolutely save money; however, he noted that he thinks it is a mistake to use franchise fees on Grand Avenue because those funds are needed in other places such as Meadow Lane, Orchard Circle, and streets that have decent utilities but the roads need repair. He stated that, in his opinion, that is where franchise fees need to go.

Hanson stated that she will plan to come back to an August meeting with information on the lining project.

OTHER BUSINESS

No other business was discussed.

ADJOURN

Hearing no objection, Mayor Miner adjourned the meeting by general consent at 6:30 pm.

Respectfully submitted,

Scott Weske
City Administrator